consumer news

DEPARTMENT OF HEALTH, EDUCATION & WELFARE
Office of Consumer Affairs
Virginia H. Knauer, Director

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Warning!

Consumer Product Safety Commission (CPSC), in cooperation with **Center for Disease Control** (CDC), has issued a warning to home weavers that certain skeins or balls of yarn containing animal wool or hair may be contaminated with anthrax spores. Anthrax is an acute bacterial disease that can be fatal to humans if untreated. Consumers can get the disease by touching a product that has anthrax spores or by breathing in the spores or swallowing spores by drinking from a product contaminated with anthrax.

According to CPSC officials, the contaminated yarn includes camel hair, goat hair or sheepswool in varying combinations. Yarn is coarse & thick, may be natural in color (white, gray, tan or red) or dyed. Imported by Tahki Imports Ltd., Teaneck, NJ, & Creative Handweavers Inc., Los Angeles, CA, from Pakistan, the skeins were distributed nationwide. They are commonly sold in plastic bags & are most often used to make handicrafts, such as wall hangings & macrame objects. Yarn retails for between \$4 & \$7 a ball. The balls imported by Tahki have a label which says: "Tahki Imports, Ltd., imported from Pakistan"; those imported by Creative bear no label.

What to do: If you bought any yarn imported from Pakistan—or a product made from this yarn—you should seal it in an airtight double plastic bag & call your local or state health department for disposal instructions. CPSC warns not to try to sterilize the product, burn it or throw it away because of the risk of spreading the spores to yourself or to others. Further, CPSC says that consumers turning in yarn or items made from the yarn to health departments should get a receipt with the following information: name of yarn owner; date product was turned in; description of product; & name of health department. Receipt should be taken to the place of purchase for a refund.

For further information about the contaminated yarn, contact CPSC's toll-free hotline at 800-638-2666 (Maryland consumers should call 800-492-2937).

HUD & mortgages

Housing & Urban Development Dept's Federal Housing Administration (FHA) has taken action against several financial institutions &, until they are within compliance with FHA standards, has withdrawn their certification to grant FHA mortgages. Without this certification, consumers cannot get an insured FHA loan from these institutions.

Institutions involved are Bradley Mortgage Co., Los Angeles, CA; First Colonial Life Insurance Co., Baton Rouge, LA; Robinson Mortgage Co., Birmingham, AL; & Advance Mortgage Corp., Detroit, MI. Withdrawal of approval will remain in effect until these companies can take steps required by HUD that will get them into compliance with FHA regulations.

Low-income consumers get special payment

Certain low-income consumers may have a check coming from the **Internal Revenue Service** (IRS)—even though they do not have to pay any Federal taxes.

Under the Tax Reduction Act of 1975, working people whose total income including wages, salaries, tips & self-employment income is under \$8,000 may be eligible for the Earned Income Tax Credit—a special payment from the Government of up to \$400. To qualify for this payment, consumers must file a 1975 income tax return (even if they ordinarily would not because their earnings are too low). The only other requirement is that the worker must have maintained a home in this country for the entire 1975 tax year for himself or herself & at least one dependent child (who was under 19 in the taxable year or who was a full-time student).

The credit works like this: for consumers with incomes up to \$4,000, the refundable credit is 10% of their earned income—up to a maximum of \$400. Qualified workers with incomes between \$4,000 & \$8,000 are also entitled to the credit, but the amount of the credit decreases \$1 for every \$10 of earnings over \$4,000. This means that if a consumer earned \$6,000 in 1975—or \$2,000 above the \$4,000 limit—his payment from the Government would be \$200.

The credit is by no means restricted to married taxpayers filing a joint return. Single people who meet the above requirements may also claim the Earned Income Credit. Eligibility for the credit depends upon these points:

- You worked during 1975 but earned less than \$8,000 in wages, tips, or as a self-employed person. If you are married & your combined income was less than \$8,000, you also qualify.
- You paid half the costs of keeping up your home in this country all year. These costs include rent, utilities, repairs, & food. If you own your home, also include interest & taxes in the cost.
- As either a married couple or a single parent, you lived in your home all year with your child, who must be your dependent. If you are married but were living apart all year, you are considered single for tax purposes but can still claim the credit if your child lived with you.

To find out more about the Earned Income Credit, contact your local IRS office or call toll-free the IRS telephone number listed in your directory & ask for the Earned Income Credit Specialist. IRS can furnish you with the necessary forms & instructions for getting the payment & can supply you with a free copy of Publication 696, *Tax Benefit for Low-Income Individuals*, which explains the credit in more detail.

DST

At CONSUMER NEWS' deadline, daylight saving time is scheduled to begin on the last Sunday in April—April 25—& continue through the last Saturday in October—Oct. 30. This is the traditional period for DST, but during the Arab oil embargo of 1973, Congress extended the months of DST in order to save energy.

How to's of HOW

If you buy a new house that is covered by HOW's insured warranty, you should know how to make the most of this protection. According to Home Owners Warranty Corp., which administers the HOW program nationally, to get the maximum benefit out of HOW, you should take the following steps:

• When you are considering buying a new house, ask the builder whether he offers a warranty & then compare warranties among different developments. Many builders offer a one-year warranty on a new house, that is not a HOW warranty. To find out if the builder offers a HOW warranty—or just to get an idea of the different kinds of warranties available for new homes—check with your local home builders association (HBA).

• If you decide to purchase a HOW-insured house, make sure to ask the builder for all the information materials explaining the HOW program. According to Home Owners Warranty Corp., when you sign the contract to buy a HOW-insured house, you should get a copy of (1) the warranty agreement that has been signed by both you & the builder; (2) a consumer information booklet that explains the HOW program in detail & (3) a "Certificate of Participation" in the master insurance policy that underwrites the warranty.

• Before you move into your new house, have a "walk though" with the builder & develop a "punch list" of things that you want fixed. A "walk through" is a standard procedure most home buyers go through before moving in to any home—new or old. Under the HOW program, however, it is a requirement.

• If the repairs you requested on the "punch list" are not made by the time you move in, give the builder a reasonable time to make good on his guarantees. Then, if you have a complaint about delays in repairs, put it in writing & send it to your local HOW council. The council will contact the builder in your behalf &, in most cases, the corrections will be taken care of. If, however, after 10 days, the builder still has not responded, you have the right to request conciliation of your complaint.

• When you take possession of the house, make certain that the manufacturers' warranties on such things as the furnace, water heater, air conditioner & the major appliances are handed over to you. Fill out & mail the cards that make this protection effective.

• If, after you move in, you notice additional items that need repair, contact the builder to have them fixed. If the builder takes no action, contact the HOW council, putting your complaint in writing. If, after 10 days, the builder doesn't respond, you can request conciliation.

• If conciliation does not resolve the problems, either you or the builder can request arbitration.

How's HOW now?

In March 1974, the National Association of Home Builders (NAHB), on the recommendation of Virginia Knauer, Special Assistant to the President for Consumer Affairs, established the Home Owners Warranty—or HOW—Program, a voluntary program under which builders can give their customers a 10-year nationally insured warranty on the structural integrity of their new house. Now HOW is celebrating its second anniversary, & CONSUMER NEWS has studied how well it is working & why.

The way HOW works is as follows:

• A local warranty council, licensed by the Home Owners Warranty Corp., an NAHB subsidiary, adopts standards for workmanship & materials. During the first year, the builder must make good on any failures to meet these construction standards—such as faulty insulation, improper construction, plumbing & electrical defects—at no cost to the home owner.

• During the second year of the warranty, the builder continues to be responsible for defects in the heating, cooling, electrical & plumbing systems as well as structural defects.

• After the second year, a national insurance plan directly insures the consumer against major structural defects for the next 8 years. However, if the builder cannot or will not perform his warranty obligations in the first 2 years, American Bankers Insurance Co. of Florida, which underwrites the HOW program, backs the builder's written warranty. In addition, if the house is sold before the warranty coverage has expired, the remainder of the coverage passes to the new owner.

But how well is this warranty program working for the consumer? CN has studied HOW's progress for the last 2 years & has charted the following developments:

1. HOW Councils now cover new houses in 35 states & include 260 state & local home builders associations. These councils have insured 50,000 new houses.

2. Builders are using HOW as part of their sales promotion. According to NAHB officials, as consumers learn about the existence of HOW, they are beginning to ask builders whether they offer this protection. As a result, over 3,000 builders are now participating in the program & this number is increasing.

3. HOW has gained the support of the financial community. Early in HOW's history, the Home Owners Warranty Corp. adopted a policy allowing lenders—banks & savings & loans—to be joint beneficiaries with the home owner on insurance claims over $1,000 paid by the program's insurer. As a result, several S&Ls across the country are giving preferential interest rates either to HOW builders on new construction loans or to HOW homebuyers, reducing the interest they have to pay.

4. HOW's special feature of providing a conciliation or arbitration program to resolve consumer disputes has had good results. Of the 14 cases brought before the HOW Councils since the program was established, 10 have been resolved through the more informal conciliation process; the other 4 are still pending. As yet, no case has had to go to formal arbitration.

5. HOW's insurance protection has already been tested & has proven effective for consumers. The first case where consumers collected involved a builder in Norfolk, VA, who filed for bankruptcy, leaving 2 families who had just bought his HOW-insured homes with many problems. The families were able to collect from American Bankers Insurance Co., which is paying to have all repairs made.

HOW is still in its infancy; therefore, changes will continue to be made as it matures. For more information on the HOW program, write: Home Owners Warranty Corp., National Housing Center, 15 & M Sts, NW, Washington, DC 20005; or call 202-452-0450.

Federal Government buys more energy-efficient appliances

In its continuing effort to use its purchasing power to stimulate the development of more energy efficient appliances, **General Services Administration** (GSA) used the "life cycle costing" method in awarding contracts to buy major appliances for use by the Federal Government. [CONSUMER NEWS: Nov. 15, 1975]. "Life cycle costing" is a buying technique that takes into account the operating cost of an item as well as the purchase price.

Under the "life cycle costing" method, GSA has awarded contracts for 11,000 air conditioners & 10,000 refrigerator-freezers. Air conditioners are estimated to use 23% less energy than models which would have been purchased by the Federal Government under the old policy of buying for the lowest possible price. GSA estimates that the new air conditioners will results in savings of $377,000 over the expected 7-year lifetime of these units. The agency estimates that its new contract to buy refrigerator-freezers will result in savings of $385,000.

In releasing information on its new contracts, however, GSA is not endorsing these products for consumer use. In fact, GSA cautions consumers that what it buys may not be the most energy efficient appliances for consumers for these reasons:

1. The "life cycle costing" formula does not include factors for maintenance or resale. GSA's contract awards are based on the lowest overall combination of bid price & operating costs.
2. Not all manufacturers submit bids for GSA's yearly contracts; therefore, their products are not evaluated. For this reason, it is possible that some of the products of non-bidding firms have a lower life cycle cost than the ones that win GSA contracts.
3. GSA uses factors in determining its purchases that may not be similar to those anticipated by consumers—& these specifications may change from year to year. For example, GSA's purchases are based on different utility rates for different areas of the country. In those areas where utility rates are lower, GSA may purchase products that are less energy-efficient because they are more economical for Federal Government use.
4. The differences in bid prices to the Federal Government among manufacturers may have no relationship to the wholesale or retail prices available to consumers. This means that while a company may offer one price to the Federal Government for its product, it may have another—usually higher—price for retail sale.

GSA does not publish special material for consumers on how to interpret its contracts. GSA does make available its contract information to CONSUMER NEWS which will publish additional appliance information as it becomes available.

Following are the brand names & model numbers in the new contracts GSA has awarded:

AIR CONDITIONERS

Amana	109-3W
Belding	AG18E6REB
Belding	AK23E6REB
Fedders	ASD24E7H
Fedders	ASL09E2H
Fedders	ASL19E7H
Friedrich	SS11B30
Friedrich	SS13B30
Friedrich	SL19B30
Friedrich	SS08B10
Friedrich	SM10B10
Friedrich	SM16B30
General Electric	AGFE909FA
General Electric	AGFE912AA
General Electric	AGFS813DE
General Electric	AJC12DA
General Electric	AGFS815DD
General Electric	AGDS919DC

REFRIGERATOR-FREEZERS—TOP MOUNT

General Electric	TBF16ST
General Electric	TBF21DT
Hotpoint	CTF18CR
Hotpoint	CTF14ER
Philco-Ford	RD16G6

REFRIGERATOR-FREEZERS—SIDE-BY-SIDE

General Electric	TFF19DT
General Electric	TFF22DT
General Electric	TFF24DT

Recalls

CARPETS—**Consumer Product Safety Commission** (CPSC) has accepted consent orders from several carpet manufacturers prohibiting them from manufacturing or selling carpets or rugs that do not meet Federal flammability standards & requiring them to recall defective items for correction or destruction.

In one case, CPSC accepted an agreement with Colony Carpets Inc., of Dalton, GA. Under the order, the company must recall 62 rolls of "301, Shalimar" shag carpeting, with jute back, that was sold in a variety of colors between April 16, 1971, & April 1, 1972.

In a related matter, CPSC accepted a consent agreement with Jorges Carpet Mills Inc., of Rossville, GA, requiring the company to notify purchasers of a nylon shag carpet with jute back that the carpet may not meet Federal flammability standards. Carpet involved was marketed as style 087, "Magic Affair," & was sold in 12 foot rolls or as rugs in varying colors.

A third consent order requiring a recall of carpeting that may not meet Federal flammability standards was signed with General Felt Industries Inc. of Saddle Brook, NY. Order involves about 183,000 yards of carpet marketed as "Fashion Right," produced by the firm's Falcon Carpet Mills division in Dalton, GA, from April 16, 1971, to March 31, 1973 (when Falcon went out of business). Carpet is an all nylon shag pile carpet with a jute back that was manufactured in various colors.

What to do: If you think that you may have bought one of the above carpets, you should contact the store where you bought it to determine if yours is carpet that failed to meet the Federal Government standard. If it is flammable, it should be returned to the manufacturer to be reworked or destroyed. If the product has to be destroyed, you will be refunded the full purchase price.

MATTRESSES—**Consumer Product Safety Commission** (CPSC) has accepted a consent order requiring a New York mattress manufacturer—Airflow Mattress Inc. of Brooklyn—to recall mattresses that may not meet Federal flammability standards. According to CPSC, Airflow produced mattresses between June 22, 1973, & Dec. 22, 1973, that may be flammable. Consent order also requires the firm to conduct all flammability tests required by law & to label each mattress manufactured with a permanent, accessible & legible label containing unit identification information.

What to do: If you bought one of the Airflow matresses described above, you should return the mattress to the manufacturer for a complete refund or replacement, at the option of the manufacturer, plus an allowance for reasonable costs (the means of transportation to be determined by the manufacturer). For more information, you may first want to contact the Bureau of Compliance, Consumer Product Safety Commission, Washington, DC 20207.

Recalls

CHILI—**Food & Drug Administration** (FDA) has announced the recall of whole roasted & peeled green chilies with the following brand names: Ashley's of Texas; El Molino; Little Pancho; & whole roasted & peeled Jalapeno peppers under the brands : Little Pancho; El Rio Mexican Style Foods. Manufactured by Ashley's, Inc., El Paso, TX. Distribution was nationwide. Products are being recalled because of a failure to control acidity in the canning process, which may pose a potential for bacterial growth.

TEETHERS—**Food & Drug Administration** (FDA) has announced the recall of the Baby World Teether, a gelatin filled product that is to be chilled in the refrigerator before use. Manufactured by West Virginia Plastics Inc., Grafton, WV, the teether was distributed nationwide. It is being recalled because there may be bacterial contamination of the gelatin filling.

Ask ICC

Interstate Commerce Commission, (ICC), which regulates trains, buses & trucks (including moving vans) that cross state lines, has changed all its telephone numbers. New number for consumer information is 202-ASK-7301. Consumers outside the Washington metropolitan area may call the toll-free hotline: 800-424-9312. For complaints & inquiries about moving companies, call the hotline or 202-275-7852. Number for general information is 202-275-7252.

New law aids railroads

President Ford has signed into law a bill designed to improve rail passenger service in this country by providing Federal funds to rehabilitate the nation's railroads. Called the Railroad Revitalization & Regulatory Reform Act of 1976, the new law establishes a financial assistance program to help rebuild worn facilities & to encourage the restructuring of the nation's railroad system. In addition, the law removes many regulatory restrictions on the railroads, which should expedite the regulatory process & improve efficiency & competition for this industry.

Provisions of the new law of major importance to consumers include:

- Establishment of the **Consolidated Rail Corp.** (ConRail) on April 1 to restructure 7 bankrupt freight railroad lines in the Northeast & Midwest region. ConRail has been authorized a budget of $2.1 billion to begin operations.
- Authority for the Secretary of Transportation to carry out the upgrading of rail passenger service in the Northeast corridor between Washington & Boston at a cost of $1.75 billion. Within 5 years after enactment, the new law calls for regularly scheduled dependable service between Boston & New York within 3 hours & 40 minutes & between New York & Washington within 2 hours & 40 minutes.
- Establishment of a railroad rehabilitation & improvement financing program to provide $1.6 billion to the railroads for roadbed & facilities improvement.
- Additional funding of $125 million to continue commuter services.
- Reform of certain **Interstate Commerce Commission** (ICC) regulatory procedures, including setting of freight rates, streamlining of hearings & establishment of an **Office of Rail Public Counsel** to represent consumers at ICC rail proceedings.

Law provides the railroads with new pricing flexibility & sets new standards for determining just & reasonable railroad rates. Law also makes several changes in ICC procedures to expedite the regulatory process. For example, it sets specific time deadlines for decisions & directs ICC to undertake a comprehensive review of its rule-making provisions.

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